

## Message Text

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ACTION IO-13

INFO OCT-01 AF-10 ARA-06 EA-07 EUR-12 NEA-10 ISO-00

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00

CEA-01 /108 W

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R 111500Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 7256

INFO AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMEMBASSY LIBREVILLE

AMEMBASSY LISBON

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: UNCTAD

SUBJECT: UNCTAD: COMMODITIES - MANGANESE

1. MISSION OFFICER DISCUSSED FORTHCOMING MEETING ON MANGANESE WITH UNCTAD SECRETARIAT STAFFER (BAUER) PREPARING PAPERS FOR FIRST MEETING. TYPICAL OF THE PATTERN THAT HAS DEVELOPED FOR THESE MEETINGS, THE SECRETARIAT IS PREPARING TWO PAPERS, ONE DEALING WITH FACTUAL BACKGROUND AND THE OTHER WITH THE ELEMENTS OF RES 93(IV) AND HOW AN AGREEMENT ON MANGANESE MIGHT RELATE TO THESE. THE SECRETARIAT IS A BIT MORE STUMPED THAN USUAL ON THIS COMMODITY SINCE IT CANNOT AT THIS TIME ENVISAGE

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THE TYPE OF AGREEMENT WHICH MIGHT BE FEASIBLE OR RELEVANT FOR MANGANESE AND, IN PARTICULAR, DOES NOT SEE THE RELEVANCE OF A BUFFER STOCK (ALTHOUGH IT WILL ADMITTEDLY APPROACH THIS ISSUE GINGERLY). SINCE THE POLICY STAFF HAS NOT CLEARED THESE PAPERS, THEY ARE NOT YET AVAILABLE.

2. THE FOLLOWING UNEVALUATED OBSERVATIONS BY BAUER ARE

REPORTED SIMPLY TO REFLECT SECRETARIAT'S THINKING. THE FEW DEVELOPING COUNTRY EXPORTERS FACE SOME VERY SERIOUS PROBLEMS BOTH IN THE SHORT AND THE LONG RUN. THE EMERGENCE OF SOUTH AFRICA AS A LOW COST PRODUCER OF ORE AND FERROMANGANESE IS MAKING IT INCREASINGLY DIFFICULT FOR PRODUCERS SUCH AS GABON TO MAINTAIN THEIR MARKET SHARE. THE POTENTIAL FOR EXPANDED DEVELOPMENT IN AUSTRALIA COULD BRING ANOTHER DEVELOPED COUNTRY PRODUCER EVEN MORE INTO THE PICTURE. AND THE LONGER RUN EXPLOITATION OF SEABED MODURES COULD ACT AS A CONSTRAINT ON EXPANSION IN THE DEVELOPING COUNTRIES WHO WOULD LIKE TO INCREASE PROCESSING INTO FERRO-MANGANESE. IN FACT THE VERY POOR INFRASTRUCTURE HAS APPARENTLY MADE IT UNECONOMICAL FOR SEVERAL OF THE AFRICAN PRODUCERS TO EXPAND EITHER HORIZONTALLY OR VERTICALLY EVEN THOUGH THERE IS SIGNIFICANT FOREIGN (INCLUDING U.S.) OWNERSHIP. MOST OF THE EXPANSION OF FERROMANGANESE FACILITIES HAS TAKEN PLACE IN NORWAY, FRANCE AND PORTUGAL RATHER THAN IN THE DEVELOPING COUNTRIES.

3. THESE OBSERVATIONS BY THE SECRETARIAT HAVE LED IT TO CONCLUDE THAT THERE APPEAR TO BE VERY FEW OPTIONS AT THIS TIME. WHILE INCREASED PROCESSING WOULD CERTAINLY BE ONE OBJECTIVE OF THE LDCS, THE SECRETARIAT FEELS THERE MUST BE ECONOMIC OBSTACLES FACING THESE OPERATIONS AT PRESENT OR THE FOREIGN OWNERSHIP WOULD HAVE TAKEN ON SUCH INVESTMENT ITSELF. REDUCTION OF TRADE BARRIERS IS, OF COURSE, ALWAYS ANOTHER OPTION. THERE IS CERTAINLY MFN TARIFF ESCALATION IN THE U.S. CASE AND WHILE PROCESSING MAY BE THUS INHIBITED, THIS DOES NOT ANSWER WHY THESE PRODUCERS LIMITED OFFICIAL USE

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HAVE BEEN LOSING OUT TO SOUTH AFRICA AND AUSTRALIA. (WHETHER THE COVERAGE OF FERROMANGANESE UNDER GSP WILL PROVIDE ANY IMPETUS TO PROCESSING REMAINS TO BE SEEN.) GIVEN THE VERTICAL INTEGRATION IN THE INDUSTRY AND THE SIGNIFICANT ROLE PLAYED BY SEVERAL LARGE STEEL FIRMS, THE INDUSTRY MIGHT BE INTERESTED IN SOME TYPE OF PRODUCER-CONSUMER GROUP TO HELP COORDINATE SUPPLY WITH DEMAND AND MONITOR LONG-TERM SUPPLY DEVELOPMENTS. THE PROBLEM OF THE SECRETARIAT IS THAT MOST OF THESE IDEAS AN ANY OTHER COULD NOT VERY WELL DISCRIMINATE AMONG LDC AND DC PRODUCERS AND DC PRODUCERS ARE MORE LIKELY TO BENEFIT THE MOST. THIS LENDS SOME SUPPORT TO THE POSSIBILITY OF TRYING TO GUARANTEE MARKET SHARES FOR LDC'S BUT THIS IS SO FRAUGHT WITH BOTH PRACTICAL AND POLITICAL PROBLEMS THAT IT IS DOUBTFUL IT COULD GET VERY FAR.

4. OBVIOUSLY ANY IDEAS THE U.S. INDUSTRY MIGHT HAVE WOULD BE MOST WELCOMED HERE. ON THE OTHER HAND, IF THE USG IS EQUALLY BAFFLED ABOUT WHAT TO DO AT THIS MEETING,

THE MISSION COULD SO ADVISE THE SECRETARIAT. SECRETARIAT  
CONTINUES TO BE CONCERNED ABOUT QUALITY OF REPRESENTATION  
OF LDC PRODUCERS WHO SHOULD HAVE MOST INTEREST IN  
THESE PREPARATORY MEETINGS AND HAS NO INDICATION IT WILL  
IMPROVE FOR THIS PARTICULAR MEEETING.

5. INFO ADDRESSEES MAY BE ABLE TO PROVIDE FURTHER IN-  
FORMATION ON PLANS OF HOST GOVERNMENT ON REPRESENTATION  
AND INTENTIONS.SORENSEN

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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
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